Metropolitan Family Services

Audited Financial Statements
June 30, 2013

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
Metropolitan Family Services
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Metropolitan Family Services (the Agency) which comprise the statement of financial position as of June 30, 2013 and 2012, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Family Services as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Chicago, Illinois
September 26, 2013

Metropolitan Family Services

Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Cash	**$ 257,956**	$ 243,114
Receivables (net of allowance):		
Government grants	**6,599,920**	5,999,538
Fund raising pledges	**339,052**	261,164
Other	**165,190**	316,708
Investments	**38,434,226**	36,474,317
Beneficial interest in irrevocable perpetual trusts	**13,496,026**	12,823,830
Prepaid expenses	**424,148**	266,102
Bond issuance costs, net	**204,311**	224,347
Property and equipment, net	**17,452,281**	17,793,717
Total assets	**$ 77,373,110**	$ 74,402,837
Liabilities		
Line of credit	**$ 2,050,000**	$ 3,350,000
Accounts payable and accrued expenses	**4,731,400**	3,364,648
Accrued pension expense	**5,823,737**	9,790,315
Notes payable	**1,159,057**	1,215,323
Bonds payable	**12,700,000**	12,700,000
Deferred revenue	**731,361**	404,408
Funds held in custody for others	**54,802**	53,507
Interest rate swap	**3,323,016**	4,818,791
Total liabilities	**30,573,373**	35,696,992
Net Assets (Deficit)		
Unrestricted	**(5,273,812)**	(11,030,368)
Temporarily restricted	**33,011,032**	31,345,892
Permanently restricted	**19,062,517**	18,390,321
Total net assets	**46,799,737**	38,705,845
Total liabilities and net assets	**$ 77,373,110**	$ 74,402,837

See Notes to Financial Statements.

Metropolitan Family Services

Statements of Activities
Years Ended June 30, 2013 and 2012

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Agency
Operating:				
Public support:				
MFS Annual Campaign	$ 5,600,368	$ 369,295	$ -	$ 5,969,663
United Way of Metropolitan Chicago	1,878,954	-	-	1,878,954
Government grants	28,661,790	-	-	28,661,790
In-kind contributions	1,905,020	-	-	1,905,020
Total public support	38,046,132	369,295	-	38,415,427
Revenue:				
Program service fees	6,361,823	-	-	6,361,823
Endowment payout	2,467,797	-	-	2,467,797
Income allocations from trusts	652,640	-	-	652,640
Rent and other income	196,967	-	-	196,967
Net assets released from restrictions	453,040	(453,040)	-	-
Total revenue	10,132,267	(453,040)	-	9,679,227
Total public support and revenue	48,178,399	(83,745)	-	48,094,654
Expenses:				
Program	38,710,316	-	-	38,710,316
Management and general	4,896,480	-	-	4,896,480
Fund raising	1,588,143	-	-	1,588,143
In-kind contributions	1,905,020	-	-	1,905,020
Total expenses before depreciation and amortization and net periodic benefit cost	47,099,959	-	-	47,099,959
Operating surplus (deficit)	1,078,440	(83,745)	-	994,695
Other changes from operating activities:				
Depreciation and amortization	(661,840)	-	-	(661,840)
Net periodic benefit (cost) income not included in operating expenses	(542,099)	-	-	(542,099)
Change in net assets from operating activities	(125,499)	(83,745)	-	(209,244)
Nonoperating revenue (expenses):				
Public support and revenue (expenses):				
Bequests	-	-	-	-
Net investment gains (losses)	-	1,748,885	672,196	2,421,081
Pension related changes other than net periodic pension cost	4,386,280	-	-	4,386,280
Change in market value of interest rate swap	1,495,775	-	-	1,495,775
Change in net assets from nonoperating activities	5,882,055	1,748,885	672,196	8,303,136
Change in net assets	5,756,556	1,665,140	672,196	8,093,892
Net assets (deficit):				
Beginning of year	(11,030,368)	31,345,892	18,390,321	38,705,845
End of year	$ (5,273,812)	$ 33,011,032	$ 19,062,517	$ 46,799,737

See Notes to Financial Statements.

2012			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total Agency
$ 4,644,233	$ 432,615	$ -	$ 5,076,848
1,845,035	-	-	1,845,035
20,960,518	-	-	20,960,518
1,296,667	-	-	1,296,667
28,746,453	432,615	-	29,179,068
6,692,131	-	-	6,692,131
2,143,370	-	-	2,143,370
644,637	-	-	644,637
181,657	-	-	181,657
263,639	(263,639)	-	-
9,925,434	(263,639)	-	9,661,795
38,671,887	168,976	-	38,840,863
30,227,100	-	-	30,227,100
4,505,942	-	-	4,505,942
1,619,228	-	-	1,619,228
1,296,667	-	-	1,296,667
37,648,937	-	-	37,648,937
1,022,950	168,976	-	1,191,926
(643,920)	-	-	(643,920)
155,586	-	-	155,586
534,616	168,976	-	703,592
-	-	-	-
-	(2,548,438)	(441,865)	(2,990,303)
(3,765,438)	-	-	(3,765,438)
(2,915,582)	-	-	(2,915,582)
(6,681,020)	(2,548,438)	(441,865)	(9,671,323)
(6,146,404)	(2,379,462)	(441,865)	(8,967,731)
(4,883,964)	33,725,354	18,832,186	47,673,576
$ (11,030,368)	$ 31,345,892	$ 18,390,321	$ 38,705,845

Metropolitan Family Services

Statement of Functional Expenses
Year Ended June 30, 2013

	Programs				
	Emotional Wellness	Education	Economic Stability	Empowerment	Total Program
Salaries	$ 7,455,397	$ 8,419,478	$ 5,082,305	$ 1,082,369	$ 22,039,549
Payroll taxes and benefits	2,454,907	2,548,058	1,665,736	360,786	7,029,487
Professional fees	540,336	1,583,256	209,648	123,979	2,457,219
Financial assistance	317,313	31,939	65,454	18	414,724
Occupancy	1,082,338	942,025	699,763	165,700	2,889,826
Equipment rental and maintenance	163,694	142,502	89,776	3,780	399,752
Other program expenses	562,136	1,702,927	470,445	72,264	2,807,772
Telephone	242,576	200,381	202,446	26,584	671,987
	12,818,697	15,570,566	8,485,573	1,835,480	38,710,316
Depreciation and amortization allocation	182,788	235,133	129,357	27,211	574,489
Net periodic benefit cost not included in operating expenses	162,629	162,630	102,999	27,105	455,363
	$ 13,164,114	$ 15,968,329	$ 8,717,929	$ 1,889,796	$ 39,740,168

See Notes to Financial Statements.

Support Services				
Management and General	Fund Raising	Total Support Services	In-Kind Contributions	2013 Total Agency
$ 2,641,890	$ 776,603	$ 3,418,493	$ -	$ 25,458,042
787,782	247,455	1,035,237	-	8,064,724
801,915	295,725	1,097,640	1,839,498	5,394,357
-	10,605	10,605	157	425,486
277,460	138,961	416,421	-	3,306,247
24,097	9,078	33,175	50,000	482,927
311,891	86,164	398,055	15,365	3,221,192
51,445	23,552	74,997	-	746,984
4,896,480	1,588,143	6,484,623	1,905,020	47,099,959
66,249	21,102	87,351	-	661,840
65,052	21,684	86,736	-	542,099
$ 5,027,781	$ 1,630,929	$ 6,658,710	$ 1,905,020	$ 48,303,898

Metropolitan Family Services

Statement of Functional Expenses
Year Ended June 30, 2012

	Programs				
	Emotional Wellness	**Education**	**Economic Stability**	**Empowerment**	**Total Program**
Salaries	$ 6,543,835	$ 6,394,900	$ 4,137,860	$ 993,005	$ 18,069,600
Payroll taxes and benefits	1,998,772	1,733,179	1,266,108	297,064	5,295,123
Professional fees	194,359	357,188	182,405	86,831	820,783
Financial assistance	211,151	26,734	54,823	25	292,733
Occupancy	1,083,850	859,250	698,373	165,225	2,806,698
Equipment rental and maintenance	64,352	90,886	78,045	39	233,322
Other program expenses	495,696	1,266,132	384,646	57,938	2,204,412
Telephone	182,454	155,277	146,718	19,980	504,429
	10,774,469	10,883,546	6,948,978	1,620,107	30,227,100
Depreciation and amortization allocation	192,655	198,311	126,693	29,005	546,664
Net periodic benefit income not included in operating expenses	(45,120)	(46,676)	(29,561)	(6,223)	(127,580)
	$ 10,922,004	$ 11,035,181	$ 7,046,110	$ 1,642,889	$ 30,646,184

See Notes to Financial Statements.

Support Services									
Management and General		Fund Raising		Total Support Services		In-Kind Contributions		2012 Total Agency	
$	2,551,969	$	935,087	$	3,487,056	$	-	$	21,556,656
	674,060		259,546		933,606		-		6,228,729
	708,016		147,741		855,757		1,227,200		2,903,740
	-		11,044		11,044		2,000		305,777
	273,806		138,247		412,053		-		3,218,751
	30,099		14,863		44,962		58,700		336,984
	229,755		93,470		323,225		8,767		2,536,404
	38,237		19,230		57,467		-		561,896
	4,505,942		1,619,228		6,125,170		1,296,667		37,648,937
	71,597		25,659		97,256		-		643,920
	(23,338)		(4,668)		(28,006)		-		(155,586)
$	4,554,201	$	1,640,219	$	6,194,420	$	1,296,667	$	38,137,271

Metropolitan Family Services

Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	**$ 8,093,892**	$ (8,967,731)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in market value of interest rate swap	**(1,495,775)**	2,915,582
Change in market value beneficial interest in perpetual trusts	**(672,196)**	441,864
Depreciation and amortization	**661,840**	643,920
Net realized gain on investments	**(198,330)**	92,708
Net unrealized (gain) loss on investments	**(2,579,873)**	1,227,638
Changes in operating assets and liabilities:		
Receivables	**(526,752)**	(1,949,276)
Prepaid expenses	**(158,046)**	(39,769)
Accounts payable, accrued expenses, and other	**(2,599,826)**	4,077,378
Deferred revenue	**326,953**	(309,430)
Funds held in custody for others	**1,295**	(48,477)
Net cash provided by (used in) operating activities	**853,182**	(1,915,593)
Cash Flows from Investing Activities		
Proceeds from the sale of investments	**12,901,764**	41,373,249
Purchases of investments	**(12,083,470)**	(40,160,132)
Additions to property and equipment, net	**(300,368)**	(1,637,730)
Payment of deferred financing costs	**-**	(79,500)
Net cash provided by (used in) investing activities	**517,926**	(504,113)
Cash Flows from Financing Activities		
Net activity on line of credit	**(1,300,000)**	1,990,000
Payments on notes payable	**(56,266)**	(55,961)
Net cash (used in) provided by financing activities	**(1,356,266)**	1,934,039
Increase (decrease) in cash	**14,842**	(485,667)
Cash at beginning of year	**243,114**	728,781
Cash at end of year	**$ 257,956**	$ 243,114
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	**$ 699,059**	$ 742,620

See Notes to Financial Statements.

Note 1. Nature of Activities

Metropolitan Family Services (the Agency), a not-for-profit Illinois corporation, is a nonsectarian human services agency located in metropolitan Chicago. The Agency was organized to provide a wide range of programs and services to strengthen low and moderate-income individuals, families, and communities.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The Agency's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as applicable to nonprofit organizations.

Accounting standards: The Agency follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of activities, and cash flows. References to Generally Accepted Accounting Principles (GAAP) in these footnotes are to the FASB *Accounting Standards Codification,* sometimes referred to as the Codification or ASC.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: The majority of funding for the Agency's operations is provided by governmental agencies. The Agency recognizes program revenues in the fiscal year that the services are rendered. Contribution revenues and other support are recognized in the fiscal year that the pledges are received. Grant revenue is recognized when the related grant expenditure has been incurred.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair value of financial instruments: The carrying amount of financial instruments including accounts receivable, accounts payable, notes payable, accrued expenses and short-term borrowings, approximate fair value due to the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates fluctuate with market interest rates or the fixed rates are based on current rates offered to the Agency for debt with similar terms and maturities.

Cash: It is usual and customary for the Agency to have cash on deposit in multiple financial institutions exceeding the federally insured limits. Management does not believe there is a risk of loss associated with these accounts. The carrying amount reported for cash approximates fair value.

Investments: At June 30, 2013 and 2012, all investments, including the invested assets of the irrevocable perpetual trusts, are carried at fair value. Realized gains and losses are determined based on the average cost method. Changes in fair value are recorded as unrealized gains (losses).

Receivables: The Agency has outstanding receivables from various government grants and from fund raising pledges. Management recorded an allowance for doubtful accounts based on specific identification of uncollectible accounts and historical collection experience.

Note 2. Summary of Significant Accounting Policies (Continued)

Beneficial interest in irrevocable perpetual trusts: The Agency is an income beneficiary of certain irrevocable perpetual trusts established by donors and administered by certain third-party agencies. Income allocations from such trusts have no restriction on their use and are recognized as revenue when received from the third-party agencies. The Agency's beneficial interest in the assets of irrevocable perpetual trusts is carried at fair value in its statement of financial position based on the fair value of the underlying trust assets.

Amortization of bond issuance costs: Bond issuance costs are those costs associated with the issuance of the Agency's debt. These costs are amortized using the straight-line method over the life of the bonds (29 years) and a refinancing arrangement (7 years). For the years ended June 30, 2013 and 2012, the accumulated amortization of bond issuance costs was $134,868 and $114,832, respectively. Amortization expense was $20,036 and $8,679 for the years ended June 30, 2013 and 2012, respectively.

Derivative financial instruments: The Agency has an interest rate swap agreement with the objective of minimizing the variability of cash flows. This derivative financial instrument is recognized as either an asset or liability at fair value in the statement of financial position (interest rate swap) with the changes in the fair value reported on the statement of activities (change in market value of interest rate swap). For the years ended June 30, 2013 and 2012, the Agency recognized a gain of $1,495,775 and a loss of $2,915,582 respectively, for changes in the fair value of the instrument.

Deferred revenue: The Agency recognizes grants as revenue when related expenses are incurred. Amounts received in advance are recorded as deferred revenue.

Property and equipment: Property and equipment are carried at cost, except donated assets which are recorded at fair value at date of donation. All purchases in excess of $5,000 are capitalized, while lesser amounts are charged to expense. Assets retired or otherwise disposed of are removed from the accounts at their net carrying amount. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets or terms of the related leases (40 years for buildings, 5 years for furniture and equipment, and 2-7 years for leasehold improvements).

Unrestricted net assets: Unrestricted net assets are resources whose use has no limitations imposed by either management of the Agency or outside donors.

Temporarily restricted net assets: Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met by the Agency or the passage of time. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose for which the contributions were restricted is fulfilled), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the Agency reports the support as unrestricted. In the absence of donor-imposed restrictions on the use of the assets, contributions of long-lived assets are reported as increases in unrestricted net assets.

Permanently restricted net assets: Net assets for which the principal must remain intact per donor request and the earnings can be used for specified purposes or general operations to the extent of its investment income. Included in this category is the Agency's interest in perpetual trusts.

Note 2. Summary of Significant Accounting Policies (Continued)

Contributions: Unconditional promises of others to give cash and other assets to the Agency are recorded at fair value at the date the promise is made and reported as increases in either temporarily or permanently restricted net assets if they are received with donor stipulations that limit the use of the contributions.

In-kind contributions: The Agency received contributions of goods and services from outside corporations, including advertising, consulting services, and various goods, in the amount of $1,905,020 and $1,296,667 during the years ended June 30, 2013 and 2012, respectively. These amounts are shown as revenues and expenditures in the financial statements.

Income taxes: The Agency is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Agency may recognize the tax benefit from an uncertain tax position only if it is more than likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in the financial statements.

The Agency files Form 990 in the U.S. federal jurisdiction and the State of Illinois. The Agency is generally no longer subject to examination by the Internal Revenue Service for tax years before 2010.

Reclassifications: Certain amounts in the 2012 financial statements have been reclassified, with no effect on net assets or the change in net assets as previously reported, in order to conform to the current year presentation.

Subsequent events: The Agency has evaluated subsequent events for potential recognition and/or disclosure through November 1, 2013, the date the financial statements were available to be issued.

Note 3. Fair Value Disclosures

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Agency uses various methods including market, income and cost approaches and sets out a fair value hierarchy. Based on these approaches, the Agency often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Agency utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Agency is required to provide the following information according to the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability.

Note 3. Fair Value Disclosures (Continued)

The three levels of the fair value hierarchy under the Topic are described below:

> Level 1. Unadjusted quoted prices in active markets, such as the New York Stock Exchange, for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
>
> Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.
>
> Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds and funds of hedge funds.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the highest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

For the fiscal years ended June 30, 2013 and 2012, the application of valuation techniques applied to similar assets and liabilities has been consistent, and there are no unfunded commitments at June 30, 2013 and 2012, requiring fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment Securities

The fair value of publicly traded equity and fixed income securities is based upon market quotations of national security exchanges. These financial instruments are classified as Level 1 in the fair value hierarchy.

Investments in certain hedge funds and real estate funds are valued at fair value based on the applicable percentage ownership of the underlying companies' net assets as of the measurement date, as determined by the Fund Manager. In determining fair value, the Fund Manager utilizes valuations provided by the underlying investment companies. The underlying investment companies value securities and other financial instruments on a fair value basis of accounting. The fair value of the Agency's investments in private investment companies generally represents the amount the Agency would expect to receive if it were to liquidate its investment in the companies excluding any redemption charges that may apply. These financial instruments are classified as Level 2 in the fair value hierarchy.

Beneficial Interest in Perpetual Trusts

The fair value of the Agency's beneficial interest in perpetual trusts were provided by the trustee. The trustee determines fair value based on readily available pricing sources for market transactions involving identical assets for securities. The valuations include certain unobservable inputs and are, therefore, classified as Level 3.

Note 3. Fair Value Disclosures (Continued)

Interest Rate Swap:

The valuation of this instrument is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the interest rate swap. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and used observable market-based inputs, including the SIFMA index. The fair value estimate is classified as Level 2.

The following tables present the Agency's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 and 2012:

	2013				
	Total	Level 1	Level 2	Level 3	Redemptions Permitted
Assets:					
Equity securities:					
U.S. equities	$ 9,667,512	$ 9,667,512	$ -	$ -	Daily
Non-U.S. equities	10,040,919	10,040,919	-	-	Daily
Fixed income securities:					
U.S. fixed income	5,429,465	5,429,465	-	-	Daily
Non-U.S. fixed income	3,152,234	3,152,234	-	-	Daily
Alternative investments:					
Hedge fund of funds (a)	6,432,206	-	6,432,206	-	Quarterly
Real estate fund (b)	2,926,566	-	2,926,566	-	Quarterly
Beneficial interest in perpetual trusts (c)	13,496,026	-	-	13,496,026	N/A
	51,144,928	$ 28,290,130	$ 9,358,772	$ 13,496,026	
Cash and other	785,324				
	$ 51,930,252				
Liability:					
Interest-rate swap	$ 3,323,016	$ -	$ 3,323,016	$ -	

(a) This category includes investments in hedge funds that invest primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments to meet growth strategies. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

(b) This category includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this category have been estimated using the net asset value of the Agency's ownership interest.

(c) This category includes investments in equities, fixed income securities, real estate funds, and hedge funds. The fair value of these investments are based on quoted market prices provided by recognized broker-dealers.

Note 3. Fair Value Disclosures (Continued)

	2012				
	Total	Level 1	Level 2	Level 3	Redemptions Permitted
Assets:					
Equity securities:					
U.S. equities	$ 6,328,996	$ 6,328,996	$ -	$ -	Daily
Non-U.S. equities	5,764,503	5,764,503	-	-	Daily
Global equities	5,921,629	5,921,629	-	-	Daily
Fixed income securities:					
U.S. fixed income	7,852,872	7,852,872	-	-	Daily
Non-U.S. fixed income	1,385,516	1,385,516	-	-	Daily
Alternative investments:					
Hedge fund of funds (a)	5,704,852	-	5,704,852	-	Quarterly
Real estate fund (b)	3,515,949	-	3,515,949	-	Quarterly
Beneficial interest in perpetual trusts (c)	12,823,830	-	-	12,823,830	N/A
	$ 49,298,147	$ 27,253,516	$ 9,220,801	$ 12,823,830	
Liability:					
Interest-rate swap	$ 4,818,791	$ -	$ 4,818,791	$ -	

The Agency assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Agency's accounting policy regarding the recognition of transfers between levels of the fair vale hierarchy. There were no transfers between Levels 1, 2, or 3 during the years ended June 30, 2013 and 2012.

Note 3. Fair Value Disclosures (Continued)

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows as of June 30, 2013:

	Beneficial Interest in Perpetual Fund
Balance, beginning of year	$ 12,823,830
Net unrealized gain	672,196
Balance, end of year	$ 13,496,026

Net unrealized gains included in changes in net assets for the year relating to assets and liabilities held at year-end	$ 672,196

Note 4. Investments and Beneficial Interest in Irrevocable Perpetual Trusts

Total returns on investment assets, excluding income allocations from irrevocable perpetual trusts, held during 2013 and 2012 are summarized as follows:

2013	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest income	$ 1,732,341	$ -	$ 1,732,341
Investment expense	(293,862)	-	(293,862)
Net realized gain	198,330	672,196	870,526
Net unrealized gain	2,579,873	-	2,579,873
Total return on investments	$ 4,216,682	$ 672,196	$ 4,888,878
Investment return designated for:			
Endowment payout	$ 2,467,797	$ -	$ 2,467,797
Undesignated investment return	1,748,885	672,196	2,421,081
Total	$ 4,216,682	$ 672,196	$ 4,888,878

2012	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest income	$ 787,593	$ -	$ 787,593
Investment expense	(58,101)	-	(58,101)
Net realized gain (loss)	92,708	(441,865)	(349,157)
Net unrealized loss	(1,227,638)	-	(1,227,638)
Total return on investments	$ (405,438)	$ (441,865)	$ (847,303)
Investment return designated for:			
Endowment payout	$ 2,143,000	$ -	$ 2,143,000
Undesignated investment return	(2,548,438)	(441,865)	(2,990,303)
Total	$ (405,438)	$ (441,865)	$ (847,303)

Note 4. Investments and Beneficial Interest in Irrevocable Perpetual Trusts (Continued)

The Agency invests in a professionally managed portfolio of mutual funds and alternative investments. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

The Agency is also a designated income beneficiary of certain irrevocable perpetual trusts. The terms of the trust agreements provide that the Agency, as an income beneficiary, is to receive its beneficial interest in the income of the trust assets as earned in perpetuity. Such trust assets are held and invested in perpetuity by the third-party trustees, which are financial institutions.

At June 30, 2013 and 2012, the assets of the irrevocable trusts are principally invested in marketable equity securities and bonds and notes. During 2013 and 2012, income allocations received by the Agency from irrevocable perpetual trusts amounted to $652,640 and $644,637, respectively, and the Agency's beneficial interest in the net unrealized appreciation (depreciation) in the fair value of the irrevocable trusts' assets amounted to $672,196 and ($441,865), respectively.

Note 5. Endowment Funds

The Agency's endowment includes both donor-restricted endowment funds and funds designated by the Agency's Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1) The duration and preservation of the fund;
2) The purpose of the Agency and the donor-restricted endowment fund;
3) General economic conditions;
4) The possible effect of inflation and deflation;
5) The expected total return from income and the appreciation of investments;
6) Other resources of the Agency; and
7) The investment policies of the Agency.

Note 5. Endowment Funds (Continued)

The Agency's endowment net asset composition by type of fund is as follows for the years ended June 30, 2013 and 2012:

	2013		
	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 19,062,517	$ 19,062,517
Board designated	32,641,735	-	32,641,735
	$ 32,641,735	$ 19,062,517	$ 51,704,252

	2012		
	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 18,390,321	$ 18,390,321
Board designated	30,892,850	-	30,892,850
	$ 30,892,850	$ 18,390,321	$ 49,283,171

Note 5. Endowment Funds (Continued)

The changes in endowment net assets for the Agency were as follows for the years ended June 30, 2013 and 2012:

	2013		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year			
Investments	$ 30,892,850	$ 5,566,491	$ 36,459,341
Perpetual trusts	-	12,823,830	12,823,830
	30,892,850	18,390,321	49,283,171
Investment return:			
Dividends and interest income	1,732,341	-	1,732,341
Investment expense	(293,862)	-	(293,862)
Net realized and unrealized losses	2,778,203	672,196	3,450,399
	4,216,682	672,196	4,888,878
Appropriation of endowment assets for expenditure:			
Operating expense	(2,467,797)	-	(2,467,797)
Undesignated investment return	1,748,885	672,196	2,421,081
Endowment net assets, end of year			
Investments	32,641,735	5,566,491	38,208,226
Perpetual trusts	-	13,496,026	13,496,026
	$ 32,641,735	$ 19,062,517	$ 51,704,252

Note 5. Endowment Funds (Continued)

	2012		
	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year			
Investments	$ 33,441,288	$ 5,566,492	$ 39,007,780
Perpetual trusts	-	13,265,694	13,265,694
	33,441,288	18,832,186	52,273,474
Investment return:			
Dividends and interest income	787,593	-	787,593
Investment expense	(58,101)	-	(58,101)
Net realized and unrealized losses	(1,134,930)	(441,865)	(1,576,795)
	(405,438)	(441,865)	(847,303)
Appropriation of endowment assets for expenditure:			
Operating expense	(2,143,000)	-	(2,143,000)
Undesignated investment return	(2,548,438)	(441,865)	(2,990,303)
Endowment net assets, end of year			
Investments	30,892,850	5,566,491	36,459,341
Perpetual trusts	-	12,823,830	12,823,830
	$ 30,892,850	$ 18,390,321	$ 49,283,171

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires the Agency to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2013 and 2012.

The Agency has adopted investment and spending policies for endowment assets as follows:

Investment Policy

The investment policy of the MFS Endowment is to achieve the highest rate of return possible within an acceptable range of risk and volatility. Based on that objective, the current assumptions are that long-term returns net of expenses will average 8 percent and long-term inflation will average 3 percent.

The MFS Investment Committee has the responsibility to establish the policies that guide the specific investments of the endowment assets. The policies describe the degree of investment risk and diversification that the committee deems appropriate.

The committee, in consultation with its investment consultant, monitors the performance of investment managers and adds, replaces, or eliminates managers as needed. Please refer to Note 3 for the Agency's current asset allocation.

Note 5. Endowment Funds (Continued)

Spending Policy

Endowment spending is set annually by the Agency's Board of Directors after considering the funding needs of current Agency operations and the desire to preserve the long-term purchasing power of the Endowment. Distributions are authorized by the Board based on recommendations of the Investment and Finance Committees.

Note 6. Fund Raising Pledges Receivable

Pledges receivable of $339,052 and $261,164 are recorded at fair value. All pledges are expected to be collected within one year.

Note 7. Property and Equipment

Property and equipment are as follows at June 30, 2013 and 2012.

	2013	2012
Land	$ 2,791,623	$ 2,791,623
Buildings and improvements	20,567,205	20,484,680
Leasehold improvements	1,706,686	1,706,686
Furniture and equipment	8,375,331	8,157,488
	33,440,845	33,140,477
Less: accumulated depreciation	15,988,564	15,346,760
	$ 17,452,281	$ 17,793,717

Depreciation expense totaled $641,840 and $635,241 for 2013 and 2012, respectively.

Note 8. Short-Term Debt

The Agency has an available revolving credit line in the amount of $7,000,000. Interest is accrued monthly at either the prime rate or the LIBOR rate plus 115 basis points. The weighted average interest rate for fiscal years 2013 and 2012 was 1.75 percent and 1.49 percent, respectively. The covenants of the revolving credit line are substantially the same as those of the Illinois Development Finance Authority Variable Rate Demand Revenue Bonds (Note 9). The balance outstanding on the line of credit was $2,050,000 at June 30, 2013 and $3,350,000 at June 30, 2012. The Agency plans to renew the line of credit prior to expiration on October 5, 2013.

Note 9. Long-Term Debt

Long-term debt is summarized as follows at June 30, 2013 and 2012:

	2013	2012
Notes payable:		
Term loan due September 12, 2019	$ 307,500	$ 357,500
Purchase money note and bank financing, due November 30, 2016	800,000	800,000
Promissory note due March 1, 2020	51,557	57,823
	$ 1,159,057	$ 1,215,323
Bonds payable:		
Illinois Development Finance Authority Variable Rate Demand Revenue Bonds, Series 1999, maturing in the aggregate principal amount on January 1, 2029. The bonds are supported by a letter of credit agreement which expires October 5, 2013.	$ 12,700,000	$ 12,700,000

Term Loan

In 2010, the Agency renegotiated an additional term loan for the North Children's Center due September 12, 2019. Interest is accrued at either the prime rate, the LIBOR rate plus 125 basis points, or the Bank Offered rate. At June 30, 2013, the loan had an interest rate of 1.44 percent and is payable in equal quarterly installments of principal ($12,500) plus interest.

Purchase Money Note and Bank Financing

During 1992, the Agency acquired by means of assignment, a 100 percent beneficial interest in a certain land trust representing certain property previously leased by the Agency from the seller in exchange for a limited guaranty. The Agency renewed this agreement in December 2006. Under this agreement, the Agency is required to make scheduled monthly interest payments which are $6,667 for the period from December 1, 2006 through November 30, 2016.

In connection with the guaranty and pursuant to the terms of the purchase agreement, the Agency has agreed to reimburse and indemnify the seller and provide for timely monthly debt service in connection with the existing $400,000 bank financing and certain other costs associated with the property and to deliver to the seller a $400,000 purchase money note due November 30, 2016. The bank financing and purchase money note are secured by a first and second mortgage and collateral assignment of the beneficial interest, respectively.

Subsequent to December 1, 2010, and prior to November 30, 2016, the seller may exercise its option to repurchase the property for an amount based on the related option agreement, resulting principally in the release of the Agency from substantially all liability under the bank financing and purchase money note. If the seller's repurchase option is not exercised prior to November 30, 2016, the Agency may exercise its option to cause the seller to repurchase the property for the amount based on the related option agreement.

Promissory Note

In 2003, the Agency borrowed $95,000 from the IFF as part of the financing arranged by the City of Chicago for a new childcare center. The loan is in the form of a promissory note which bears interest at 5 percent and is payable in monthly installments in amounts up to $749, through March 1, 2020.

Note 9. Long-Term Debt (Continued)

Illinois Development Finance Authority Variable Rate Demand Revenue Bonds

In March 1999, the Illinois Development Finance Authority (Authority) on behalf of the Agency issued its Variable Rate Demand Revenue Bonds, Series 1999, in the principal amount of $12,700,000 pursuant to an Indenture of Trust dated as of March 1, 1999, between the Authority and the Trustee. The proceeds of the Series 1999 bonds were used to finance all or a portion of the cost of acquisition, construction, renovation, expansion, restoration, and equipping of certain facilities of the Agency and to reimburse the Agency for certain capital projects, provide a portion of the interest on the bonds, and pay certain expenses incurred in connection with the Issuance of the bonds. All other proceeds will be invested by the Trustee as provided in the Indenture.

The Series 1999 Bonds bear interest at a variable interest rate determined on a monthly basis. Interest rates ranged from 1.139 to 1.172 percent during 2013 and 0.17 to 0.55 percent during 2012 and was determined on a weekly basis. The Series 1999 Bonds are convertible at the option of the Agency to another variable rate mechanism, as provided in the Indenture of Trust, dated March 1, 1999.

The terms of the long-term debt agreement require, among other things, the maintenance of specific financial ratios and place limitations on additional indebtedness and pledging of assets.

On June 1, 2012, the Agency entered into a re-financing arrangement with a bank in which the bank became the sole holder of the bonds for a period of seven years. This arrangement eliminated the need for a letter of credit and required issuance costs in the amount of $79,500. The bank will maintain this position until June 1, 2019, during which time the bond issuance costs will be amortized. All of the terms, conditions, and covenants previously in effect remain unchanged.

The Agency has an interest rate swap agreement (swap agreement) with a bank for a non-amortizing notional amount of $12,700,000 with an objective to minimize the variability of cash flows. Under the terms of the swap agreement, the Agency receives monthly payments based upon a variable rate of interest and makes monthly payments based upon a fixed rate of 3.5 percent through November 1, 2015 and 3.85 percent thereafter through January 1, 2029. The variable rate of interest is based on the USD-LIBOR-BBA (0.22 percent and 0.17 percent at June 30, 2013 and 2012, respectively). Although the derivative is an interest rate hedge, the Agency has chosen not to account for the derivatives as "cash-flow" hedge instruments, as defined by accounting principles generally accepted in the United States of America, and therefore the gain or loss on the derivative is recognized in the statement of activities as a component of non-operating revenue (expense) in the period of change.

Net interest paid or received under the swap agreement is included in interest expense. The net differential paid by the Agency as a result of the swap agreement amounted to $479,703 and $428,954 for the years ended June 30, 2013 and 2012, respectively. The change in fair value of the swap agreement was an unrealized gain of $1,495,775 and an unrealized loss of $2,915,582 in 2013 and 2012, respectively.

At June 30, 2013 and 2012, the Agency's total long-term debt outstanding was $13,859,057 and $13,915,323, respectively. The fair value of the interest rate swap agreement was $3,323,016 and $4,818,791 at June 30, 2013 and 2012, respectively.

Note 9. Long-Term Debt (Continued)

Interest expense is reported within the financial statements as follows:

	2013	2012
Operating:		
Other program expenses	$ 699,059	$ 742,620
Nonoperating:		
Change in fair value of interest rate swap	(1,495,775)	2,915,582
	$ (796,716)	$ 3,658,202

Note 10. Restricted Net Assets

Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012:

	2013	2012
Endowment	$ 32,641,735	$ 30,892,850
Community services	360,057	349,516
Financial assistance	9,240	88,550
	$ 33,011,032	$ 31,330,916

Permanently restricted net assets are restricted as follows at June 30, 2013 and 2012:

	2013	2012
Beneficial interest in irrevocable perpetual trusts invested in perpetuity by third-party trustees, the income from which is expendable to support any of the activities of the Agency	$ 13,496,026	$ 12,823,830
Agency endowment invested in perpetuity by the Agency the income from which is expendable to support any of the activities of the Agency	5,391,475	5,391,475
Agency endowment invested in perpetuity by the Agency, the income from which is expendable to support specific programs as restricted by the donor	175,016	175,016
	$ 19,062,517	$ 18,390,321

Note 11. Pension Plan

Substantially all full-time employees of the Agency participated in a trusted, noncontributory, defined-benefit pension plan (Plan). The Agency implemented a partial plan freeze as of December 31, 2008 for all staff aged 52 and younger. There were no changes to the benefits of those employees aged 53 and older. As of December 31, 2012, the Agency implemented a full plan freeze for all employees.

Note 11. Pension Plan (Continued)

A summary of the changes in the projected benefit obligation and plan assets and the resulting funded status of the defined-benefit pension plan are as follows at June 30, 2013 and 2012:

	2013	2012
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 24,318,150	$ 19,215,128
Service cost	316,709	346,195
Interest cost	1,026,209	991,225
Actuarial (gains) losses	(2,110,675)	4,277,690
Benefits paid	(518,757)	(512,088)
Curtailments	(608,562)	-
Projected benefit obligation at year-end	$ 22,423,074	$ 24,318,150
Accumulated benefit obligation	$ 22,423,074	$ 23,559,719
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 14,527,835	$ 12,816,627
Actual return on plan assets	1,295,358	850,258
Contributions	1,294,901	1,373,038
Benefits paid	(518,757)	(512,088)
Fair value of plan assets at year-end	$ 16,599,337	$ 14,527,835
Fair value of plan assets	$ 16,599,337	$ 14,527,835
Benefit obligations	22,423,074	24,318,150
Funded status (plan assets less benefit obligations)	$ (5,823,737)	$ (9,790,315)
Amounts recognized on statement of financial position as accrued pension expense liability	$ 5,823,737	$ 9,790,315

The Projected Benefit Obligation is the actuarial present value of benefits under the plan formula, based on employee service to date and expected future compensation levels.

Note 11. Pension Plan (Continued)

The Accumulated Benefit Obligation is the actuarial present value of benefits earned to date, based on current and past compensation levels.

	2013	2012
Cumulative amounts recognized in changes from non-operating activities:		
Beginning cumulative amount	$ 8,244,088	$ 4,478,650
Current year amount recognized in changes from non-operating activities	(4,386,280)	3,765,438
	$ 3,857,808	$ 8,244,088
Components of cumulative amounts recognized in changes from non-operating activities:		
Unrecognized actuarial loss	$ 3,857,808	$ 8,159,282
Unrecognized prior service cost	-	84,806
	$ 3,857,808	$ 8,244,088
Components of net periodic benefit cost:		
Service cost	$ 316,709	$ 346,195
Interest cost	925,505	991,225
Expected return on plan assets	(991,573)	(857,814)
Curtailment charge	157,522	-
Net amortization and deferrals	1,306,440	519,808
	$ 1,714,603	$ 999,414

The net periodic benefit cost is presented on the statements of functional expenses as follows:

	2013	2012
Net periodic benefit cost in excess of contributions	$ 542,099	$ (155,586)
Contributions, included in "payroll taxes and benefits"	1,172,504	1,155,000
	$ 1,714,603	$ 999,414

The net pension cost was calculated using the June 30, 2012, census data asset information as of June 30, 2012, and a measurement date of June 30, 2012.

Estimated service cost that will be amortized into periodic benefit cost in the next fiscal year at both June 30, 2013 and 2012, is $0 and $27,988, respectively.

Note 11. Pension Plan (Continued)

Assumptions

Pension costs are determined based on actuarial valuations that reflect appropriate assumptions as of the measurement date, ordinarily the beginning of each year. The funded status of the plans is determined using appropriate assumptions as of each year-end. A summary of the major assumptions follows:

	2013	2012
Funded status:		
Discount rate	4.48%	3.90%
Future salary increases	0.00%	1.50%
Pension cost:		
Discount rate	3.90%	5.30%
Return on assets in plans	6.70%	6.70%
Future salary increases	1.50%	3.00%

Plan Assets

The Agency invests the defined benefit plan assets in a professionally managed portfolio of equity and debt securities. The Agency's target asset allocation is approximately 30 percent fixed income and 70 percent equity securities. Each year this asset allocation strategy is reviewed to determine the percentage of the fund that is allocated to equity and debt securities. The expected rate of return is based on both historical returns as well as the outlook for future returns given the current economic conditions.

The fair values of the Agency's pension plan assets at June 30, 2013 and 2012, by asset category are as follows:

	2013	Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities:				
U.S. equities	$ 7,493,956	$ 7,493,956	$ -	$ -
Non-U.S. equities	2,942,189	2,942,189	-	-
Global equities	393,023	393,023	-	-
Fixed income securities:				
U.S. fixed income securities	5,052,495	5,052,495	-	-
Non-U.S. fixed income securities	671,992	671,992	-	-
	16,553,655	$ 16,553,655	$ -	$ -
Cash and other	45,682			
	$ 16,599,337			

Note 11. Pension Plan (Continued)

	2012	Fair Value Measurement Using		
	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities:				
U.S. equities	$ 6,507,018	$ 6,507,018	$ -	$ -
Non-U.S. equities	2,333,121	2,333,121	-	-
Global equities	346,899	346,899	-	-
Fixed income securities:				
U.S. fixed income securities	4,550,308	4,550,308	-	-
Non-U.S. fixed income securities	605,200	605,200	-	-
	14,342,546	$ 14,342,546	$ -	$ -
Cash and other	185,289			
	$ 14,527,835			

The asset allocation for the Agency’s pension plan by asset category is as follows:

	2013	2012
Equity securities	65 %	64 %
Debt securities	35	35
Cash	-	1
	100 %	100 %

Contributions

The Agency expects to contribute $743,155 to the pension plan during the year ending June 30, 2014.

Estimated Future Benefit Payments

Estimated future benefit payments are as follows:

Year ending June 30:	
2014	$ 2,009,776
2015	1,811,877
2016	1,137,796
2017	1,006,625
2018	1,302,082
2019-2023	6,528,805
Total	$ 13,796,961

Note 12. Operating Leases

The Agency occupies office space used in its activities under operating leases expiring through March 2017. In 2013 and 2012, total rental expense recognized under all operating leases amounted to approximately $1,134,911and $1,055,951, respectively. Future minimum annual lease commitments under non-cancelable operating leases at June 30, 2013 are as follows:

Year ending June 30:		
2014	$	979,477
2015		915,085
2016		892,367
2017		33,333
Total	$	2,820,262

Note 13. Fiduciary Arrangements

Included in cash and in funds held in custody for others at June 30, 2013 and 2012, are $54,802 and $53,507, respectively, of funds held by the Agency on behalf of certain clients to cover their third-party obligations.

Note 14. Supporting Agencies

The Agency received $7,892,063 and $6,796,732 from State of Illinois Agencies in 2013 and 2012, respectively, in addition to federal funding of $20,769,727 and $14,163,786. A significant reduction in the level of this support, if this were to occur, could have a significant effect on the Agency's programs and activities. Of the amount received, $3,815,622 and $4,408,064 were received from the Department of Children and Family Services (DCFS) in 2013 and 2012, respectively, and $4,076,441 and $2,388,668 were received from the Department of Human Services (DHS) in 2013 and 2012, respectively.

The Agency had a receivable balance of $6,599,920 and $5,999,538 in 2013 and 2012, respectively, from federal and state granting agencies.

This support is subject to review and final determination by the granting agencies. The Agency does not anticipate any significant adjustment upon final review and determination.

Note 15. Contingencies

From time to time, the Agency is subject to claims that arise in the ordinary course of conducting its activities. In management's opinion, the resolution of these matters would not have a material effect on the financial position of the Agency.